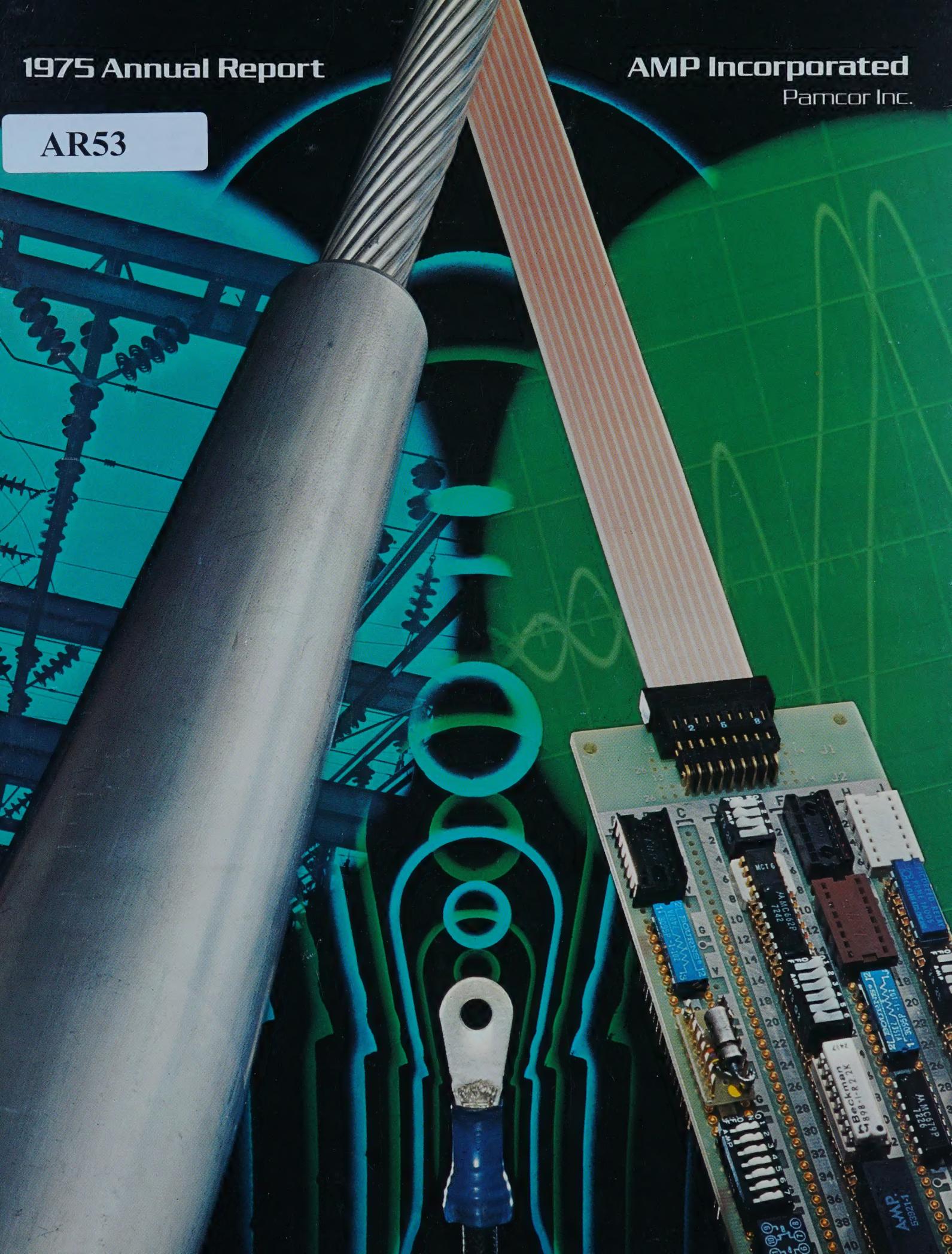


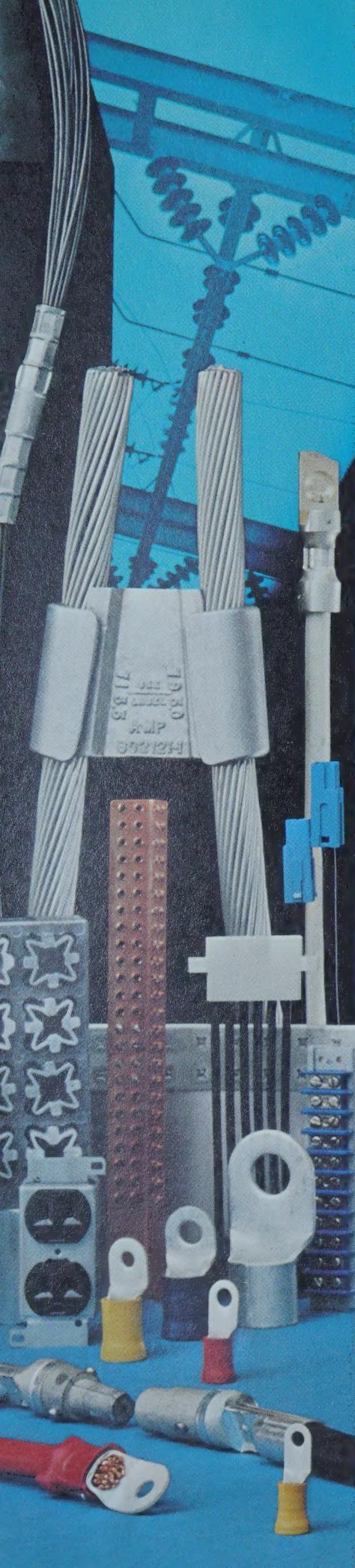
1975 Annual Report

AMP Incorporated

Pamcor Inc.

AR53





It Started With A Terminal

In 1941, Mr. U.A. Whitaker founded AMP to concentrate on providing better electrical and electronic components. He envisioned a growing use and increasing sophistication of electrical and electronic equipment in modern society that would provide an ever-widening demand for new connection devices and related components. Starting with relatively simple uninsulated electrical terminals and hand tools, he led AMP in pioneering the solderless crimp technique and the parallel development of appropriate labor-saving application tools and machines.

Mr. Whitaker died in September 1975, having seen his vision become a reality. His contributions as President and Chairman during the first 34 years of our history are immeasurable; his influence will be felt for many years to come. We share his continuing vision and his confident, often-stated belief in the future—that AMP's growth opportunities are still as good as ever.

The front cover and the two large product pictures on these two pages depict the wide range of AMP connection devices now available—from large splices and terminals for electric power lines and electrical equipment to precise, complex electronic connectors for wires, printed circuit boards, coaxial and flexible flat cables.

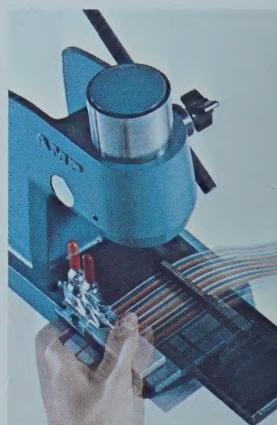
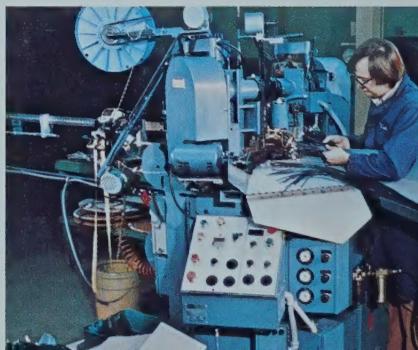
Similarly, AMP application tooling now ranges from various hand and power tools to many types of unique high-speed, automatic machines. Nearly two-thirds of our sales are now machine-applied products.



U. A. Whitaker

1900 - 1975

AMP Founder, President, and Chairman



Corporate Profile

General—AMP Incorporated, founded in 1941, has its headquarters in Harrisburg, Pennsylvania. It has a Puerto Rican manufacturing affiliate, Pamcor, Inc., owned by identical shareholders. AMP now has 15 wholly owned operating subsidiaries: domestic subsidiaries in the United States and Canada; and international subsidiaries in Mexico, Argentina, Brazil, Australia, Japan, and eight European countries — France, Great Britain, Holland, Italy, West Germany, Spain, Sweden, and Switzerland.

AMP's Position in U.S. Industry: Growing entirely through new products and markets without benefit of acquisitions, AMP has risen in the ranks of major U.S. corporations. The latest standings from the 1975 issue of the Fortune "500" Largest Industrials are as follows:

Sales	348th
Net Income	199th
Net Income as % of Sales (9.6%)	46th
Earnings Per Share Growth Rate:	
1964—1974 (16.56%)	73rd
Return on Equity (19.6%)	52nd

Page

2 — Highlights and Financial Data —

Ten-year financial summary.

3 — Letter to Shareholders — Sales down 15% to \$409.6 million; net income down 40% to \$27.8 million or 75¢ per share; fourth quarter sales of \$108.6 million and earnings of 20¢ per share were best of year.

4 — Financial — At December 31, 1975, assets of \$415.0 million, total debt of \$70.6 million and shareholders' equity of \$250.7 million.

5 — Operations — The major portion of AMP's research, engineering and domestic manufacturing facilities are within a fifty-mile radius of its General Offices at Harrisburg, Pennsylvania. Other operating facilities are located in Florida, North Carolina, Virginia, and at the various subsidiary locations. Total worldwide employment at year end was 12,847.

6 — Marketing — Throughout the world, AMP products are marketed directly to many thousands of customers for use in the manufacture, maintenance and modernization of the products and equipment of most industries. Over 75,000 customers in widely diversified electrical/electronic markets are served worldwide.

Markets —

8 — General Electronics & Telecommunications

10 — Computer & Office Equipment

12 — Consumer Goods

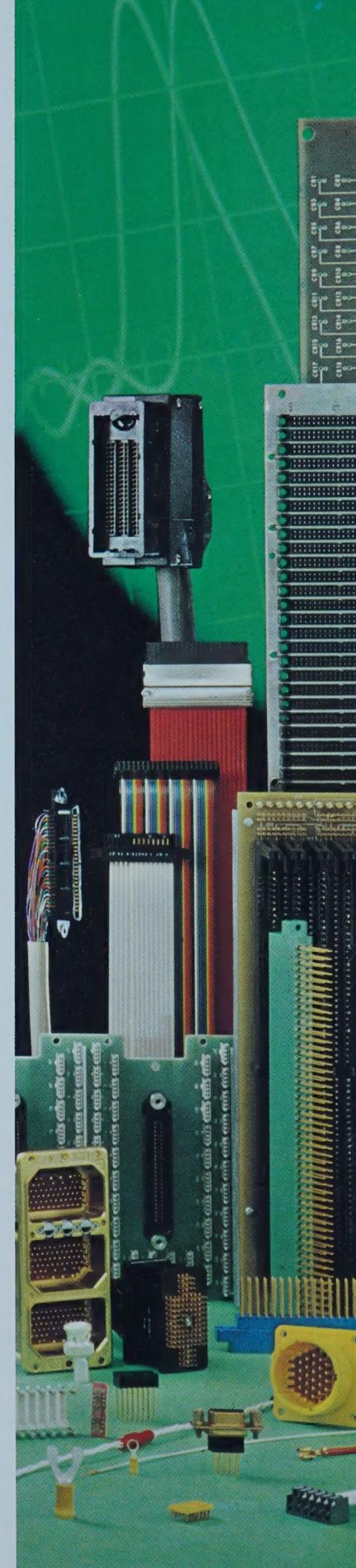
14 — Transportation & Electrical Equipment

16 — Maintenance, Modernization, Utilities, & Construction Fields

18 — Products — AMP is one of the leading producers of electrical and electronic connection, switching, and programming devices — including solderless terminals, splices, multiple connectors, coaxial connectors, packaging and interconnection devices, switches, and programming systems — and the application tools and machines to attach these devices to wires, cables, or printed circuitry. It also produces electronic power units and other electrical/electronic components. There are over 45,000 types and sizes of AMP products.

23 — Financial Statements — All statements and statistics, unless otherwise noted, include AMP Incorporated, its affiliate Pamcor, Inc., and their subsidiaries (all wholly owned).

Corporate Data — Inside back cover.



Highlights and Financial Data ⁽¹⁾

AMP Incorporated and Pamcor, Inc. & their subsidiaries

(Dollars in Thousands)

For the Year	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
Net Sales	\$409,551	\$482,107	\$417,960	\$302,086	\$239,648	\$225,827	\$211,256	\$167,172	\$146,469	\$141,817
Gross Income	152,168	195,051	177,160	132,671	100,433	98,765	94,740	71,560	60,656	60,745
Income From Operations	61,704	99,286	91,004	66,235	45,933	45,996	47,857	32,347	25,174	27,888
Exchange & Translation Gains (Losses)	(1,116)	368	1,453	197	1,196	12	89	(18)	(489)	13
Interest Expense	(9,550)	(12,004)	(3,171)	(1,940)	(2,549)	(2,385)	(1,908)	(1,587)	(1,502)	(642)
Other Income, Net	1,829	2,994	1,554	418	1,529	1,210	1,339	567	219	205
Income Before Income Taxes	52,867	90,644	90,840	64,910	46,109	44,833	47,377	31,309	23,402	27,464
Income Taxes	25,100	44,418	45,390	31,719	21,084	20,344	23,097	15,082	9,749	12,439
Net Income	\$ 27,767	\$ 46,226	\$ 45,450	\$ 33,191	\$ 25,025	\$ 24,489	\$ 24,280	\$ 16,227	\$ 13,653	\$ 15,025
Per Share ⁽²⁾	75¢	\$1.25	\$1.23	90¢	68¢	67¢	66¢	44¢	37¢	41¢
Cash Dividends	\$ 13,712	\$ 12,209	\$ 9,148	\$ 8,179	\$ 7,859	\$ 7,110	\$ 5,875	\$ 4,887	\$ 4,391	\$ 3,652
Per Share ⁽²⁾	37¢	33¢	24 3/4¢	22 1/4¢	21 1/4¢	19 1/4¢	16¢	13 1/4¢	12¢	10¢
Capital Expenditures	23,128	59,174	53,277	23,536	15,034	23,271	17,562	8,465	15,977	17,136
Depreciation	21,740	16,805	13,128	11,655	11,451	10,361	9,452	8,497	6,966	5,609
At December 31										
Working Capital	\$150,469	\$104,943	\$102,009	\$102,567	\$ 86,474	\$ 71,807	\$ 65,823	\$ 56,390	\$ 46,022	\$ 35,257
Property, Plant and Equipment, Net	157,827	158,216	117,559	78,802	68,439	65,614	53,379	46,086	47,068	38,713
Long-Term Debt	42,510	16,521	11,395	12,192	12,603	12,346	11,537	13,535	15,534	6,200
Total Debt	70,554	94,969	55,414	21,377	22,176	23,627	20,314	19,830	20,498	14,672
Shareholders' Equity	250,696	235,629	200,591	163,296	138,285	121,409	104,031	85,597	73,741	64,283
Number of Employees	12,847	13,537	14,830	11,585	10,306	10,426	10,171	8,785	8,260	8,735
Backlog	\$ 73,000	\$ 87,000	\$ 99,000	\$ 58,000	\$ 42,900	\$ 43,300	\$ 41,100	\$ 34,500	\$ 29,000	\$ 30,400
Shares of Stock Outstanding ⁽²⁾ (Thousands)	37,091	37,025	36,977	36,937	36,868	36,805	36,755	36,677	36,619	36,517
Annual Stock Price Range⁽³⁾										
High	40 1/8	45 1/4	52 1/8	44	24 1/8	19 1/8	19 1/8	13 1/8	14 1/2	10 1/8
Low	23 1/8	20 1/8	35 3/4	22 1/8	18	13 1/8	10 1/8	9 1/2	9 1/2	7

⁽¹⁾ For further information see Notes to Combined Financial Statements.

⁽²⁾ Per share data based on weighted average shares outstanding. Shares outstanding are adjusted to retroactively give effect to stock splits of 3-for-1 in 1973 and 2-for-1 in 1967.

⁽³⁾ 1975-1974 Quarterly High-Low Price Range —
1975: 1st Q. 36 1/4-23 1/8, 2nd Q. 40 1/8-29 1/2
3rd Q. 37 3/4-27 3/4, 4th Q. 30 3/4-26 1/8
1974: 1st Q. 42 1/8-34 1/4, 2nd Q. 45 1/4-36 1/8
3rd Q. 39 1/4-22 1/8, 4th Q. 30 1/8-20 1/8
Prices are adjusted retroactively for stock splits.

To the Shareholders

- 1975 sales were \$409,600,000 and earnings 75¢ per share — 15% and 40% below the \$482,100,000 and \$1.25 per share in 1974.
- Financial position stronger — cash and marketable securities up, debt and inventories down, and capital spending at reduced rate.
- Fourth quarter sales of \$108,600,000 and earnings of 20¢ per share were best of year — domestic and some of our overseas business steadily improved.
- European business now shows signs of improvement also.

The economic situation in 1975 interrupted AMP's steady progress over the past decade. It was a most difficult year. From late 1971 to mid-1974 we experienced unusually rapid growth — accelerating in the latter stage because of widespread inventory accumulation by our customers. The decline that followed due to the recession was the sharpest we ever experienced as customers cut back on both inventory and production levels.

As anticipated, the substantial recovery of our domestic and some parts of our overseas business during 1975 confirmed that we maintained our competitive and technological position. As customers completed their inventory reductions and began to increase their production levels, we saw a distinct pickup in our incoming order rate. As a result, the fourth quarter sales of \$108,600,000 and earnings of 20¢ per share were the best of the year.

The backlog of unfilled orders turned up slightly after declining for five quarters. At year-end 1975 it was \$73,000,000 — a net increase of \$1,000,000 during the quarter after an approximate \$1,000,000 reduction for foreign currency rate changes.

Domestic wage rates were increased 6% effective October 1, 1975. Our international subsidiaries granted increases which generally paralleled the national or industry averages in the countries in which they operate. Year-end employment of 12,847 was up from the low of 12,500 in early 1975. During this interval, domestic employment rose steadily (primarily



Mr. J. D. Brenner, President and Chief Executive Officer (left), and Mr. C. J. Fredricksen, Chairman, inspecting a new application machine which automatically installs a multiple number of wires into a connector.

production workers) with the increase in U.S. sales volume, while overseas employment was reduced by several hundred more as European sales volume declined during the first three quarters.

Domestic prices were increased 3%-4% in the fourth quarter of 1975, with similar amounts by various subsidiaries overseas throughout the year.

Currently we are in a much better position than a year ago. Debt and inventories are down, our cash position is up, and capital spending is at a reduced rate. Our domestic and certain segments of our overseas business have been improving steadily for almost a year. European sales stabilized in the Fall of 1975, after declining for three quarters, and now show signs of improvement. Operating margins are expected to improve this year with higher sales volume.

We are quite optimistic about our longer term future. We still see many new product opportunities for AMP's unique capabilities. We welcome the continuing evolution of electrical and electronic equipment. As with transistors, integrated circuits and printed circuit boards in prior years, we are finding the latest changes, such as the trends toward microprocessors and flexible flat cable, provide opportunities for new AMP products and are beneficial to our overall business.

AMP lost a great leader with the death of Chairman U. A. Whitaker in September. We are saddened by the loss of this good friend and wise counselor. At their

October meeting the Directors elected Mr. C. J. Fredricksen Chairman of the Board. He has been with AMP since 1941 in various positions, most recently as Chairman of the Finance Committee. Director Richard M. Brumfield was elected to the Executive Committee of the Board — joining Messrs.

Fredricksen and Brenner. Two new directors were also elected — Mr. Walter F. Raab, Vice President and Treasurer; and Mr. Willard A. Smith, Vice President, Manufacturing. Both have been with AMP for over 20 years.

Effective December 31, 1975, Mr. S. S. Auchincloss, having reached the prescribed retirement age for directors, resigned from the Board. His contributions as President and Vice Chairman, and as a 14-year member of the Board, are deeply appreciated. He will continue as a Director Emeritus and consultant.

We wish to commend and thank our employees, customers, and suppliers for their hard work and spirit of cooperation during this recovery period.

Sincerely,

J. D. Brenner
President and
Chief Executive Officer

C. J. Fredricksen
Chairman of the Board
February 27, 1976
Harrisburg, PA

- Total debt declined by \$24,000,000 — cash and marketables increased by \$36,000,000.
- Dividends increased by 12% in 1975. An 11% increase is indicated for 1976.
- Shareholders' Equity increased 6% to \$250,000,000.

AMP'S FINANCIAL POSITION improved markedly during 1975 despite depressed economic conditions both here and abroad. Working capital increased by \$45,500,000 to \$150,500,000 and the current ratio rose to 2.5-to-1 at year-end 1975 compared to 1.7-to-1 at year-end 1974.

During the year AMP's balance sheet showed a net liquidity improvement of \$60,000,000. Cash and marketable securities increased by \$35,600,000 to \$54,000,000 at year-end 1975, while total debt, both short- and long-term, declined by \$24,400,000 to \$70,600,000 at year end — equivalent to 28% of Shareholders' Equity of \$250,700,000. Further, our first public debt issue, in April, 1975, of \$25,000,000 of 8 1/2%

Notes due 1985, allowed us to retire all the outstanding domestic short-term debt and achieve a better balance in our debt structure.

Inventories were cut back further during the year — \$108,300,000 at December 31, 1975 compared with \$137,500,000 at year-end 1974 and a peak of \$149,500,000 in the Fall of 1974. Owing to the reduction in total debt as well as generally lower interest rates, total interest expense dropped to \$9,550,000 in 1975 compared to \$12,004,000 in 1974. Interest expense was \$3,171,000 in 1973. With debt and interest rates at lower levels we anticipate a continuation of this favorable trend in interest expense levels during the current year. The Other Income category dropped to \$1,829,000 in 1975 from \$2,994,000 in 1974 primarily because of lower purchase discounts and reduced gains on sale of assets.

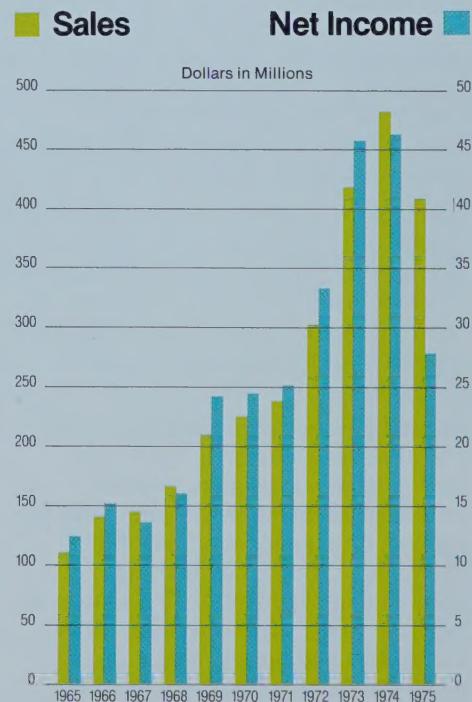
CAPITAL EXPENDITURES were reduced to \$23,128,000 in 1975 — similar to the 1972 level and well below the record \$59,174,000 spent in 1974 and \$53,277,000 in 1973. Owing to the sizeable combined expenditures of the past two years, depreciation rose to \$21,740,000 from \$16,805,000 in 1974. Capital expenditures are expected to remain at 1975 levels for the near future.

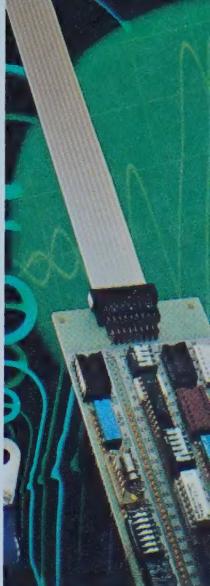
DIVIDENDS — A quarterly dividend of 10 1/4¢ per AMP Endorsed Share was paid March 1, 1976, to shareholders of record February 9, 1976. This indicates an annual rate of 41¢ per share compared to 37¢ per share in 1975 and 33¢ per share in 1974. This is the 23rd consecutive increase. For the past 17 years, except in 1972 when limited by Phase II controls, the dividend has increased more than 10% each year.

FOREIGN CURRENCY TRANSLATION — The Financial Accounting Standards Board's new rules for translation of foreign currency transactions and statements will first affect the Company's measurement of its performance in 1976. Compliance with these rules changes the Company's past accounting practices in two major respects: inventories will be translated at historical rates and unrealized gains in translation will not be deferred. Neither change results in a permanent difference in income measurement compared to methods previously used by the Company. However, depending upon the extent and timing of fluctuations in international exchange rates, quarterly and annual earnings of international operations may vary somewhat more than under our previous policies.

How the Sales Dollar was used

1975		1974	
41.8%	—	Wages, salaries, and employee benefits	— 37.9%
36.9%	—	Materials and services, etc.	— 36.7%
5.3%	—	Depreciation	— 3.5%
2.3%	—	Interest expense	— 2.5%
7.0%	—	Federal, state, foreign, and local taxes	— 9.8%
3.3%	—	Cash dividends	— 2.5%
3.4%	—	Reinvestment in the business	— 7.1%
100%		100%	





Operations

- Capital expenditures reduced to \$23,000,000 from record \$59,000,000 in 1974.
- Floor space increased slightly to nearly 5,000,000 sq. ft.
- Year-end employment of 12,847 was down 5% from year-end 1974, but up from a recent low of 12,500 in early 1975.

Our ability to anticipate and adapt to changing conditions was put to the test in the last 18 months as incoming orders and shipments declined at an unprecedented rate from their peak in the second quarter of 1974 to their low point in the first quarter of 1975.

Starting domestically in mid-1974, and overseas in late 1974, we reduced employment to a low of 12,500 during the first quarter of 1975—over 2,000 below year-end 1973. Since then overseas employment has declined several hundred more, but total employment rose to 12,847 at year-end 1975 because of the steady addition of domestic production workers to handle rising sales volume.

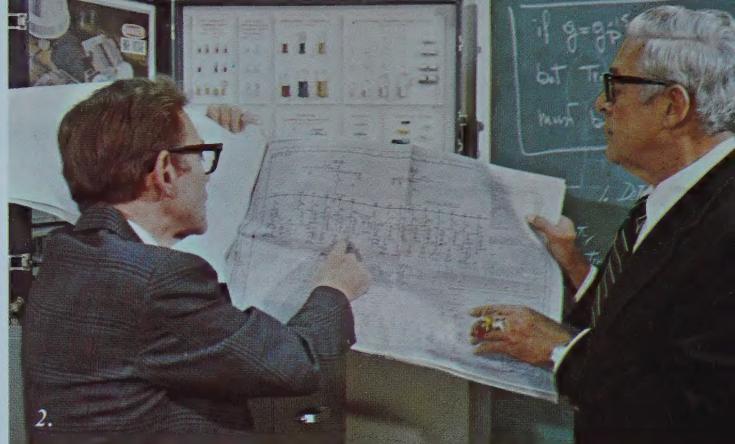
Domestic wage rates increased 6% October 1, 1975. Increases overseas were generally consistent with the national and industry averages in the countries in which we operate.

About half of 1975's \$23,000,000 capital expenditures were for machinery and equipment within our facilities — primarily to provide new capabilities and reduced operating costs. The machines shown on this page are examples of the specially designed production equipment that often is as essential to the success of a new AMP product as the design of the product itself.

Among the relatively few building projects completed in 1975 were a new plant in Winston-Salem, N.C.; a modest expansion of our Canadian facilities; and new offices and warehouses in France and Italy.

The critical factor in improving our operating margins is, of course, the need for higher production levels to utilize more fully our present capacity. We expect sales volume to continue to rise during 1976 and enable us to restore operating margins to more normal levels.

1. *Specially developed AMP hydraulic swaging machine applies tremendous force to draw out the ends of internally fired power line splices from cylindrical to tapered form.*
2. *Specially developed AMP hot-roll laminating machine used in the manufacture of AMP flexible flat cable.*
3. *New AMP France warehouse on a tract of land near Rouen that provides space for several future buildings.*
4. *AMP Canada headquarters facilities at Toronto after modest expansion in 1975.*



Marketing

- 1,000 field sales and field service personnel.
- 2,000 people involved in total marketing efforts.
- Nearly 50 sales offices throughout the world.
- More than 150 distributors in over 20 countries.

The 15% lower sales volume in 1975 was due to the economic situation — not the loss of AMP's overall competitive or technological position. Customer curtailment of production levels and inventory positions caused a sharp drop in our incoming order rate. Although we made substantial adjustments to our operations in response, we carefully preserved our basic capabilities and continued working with customers to provide higher performance products at lower installed costs.

We maintained our same basic marketing approach. This includes direct selling by our own marketing organizations, close liaison with customers to fully understand their design and production requirements, and emphasis on lower installed costs through providing appropriate application tooling.

The effectiveness of this approach was reaffirmed both by the steady recovery of certain areas of our business during 1975, and by our progress in having AMP products specified in new customer equipment. Through product and market specialists, field sales penetration of customer organizations, customer visits to our facilities, seminars, trade shows, and many other marketing activities, we learn of industry trends and specific customer needs.

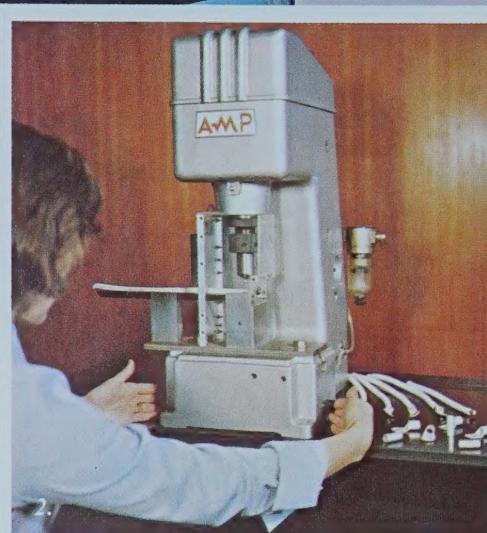
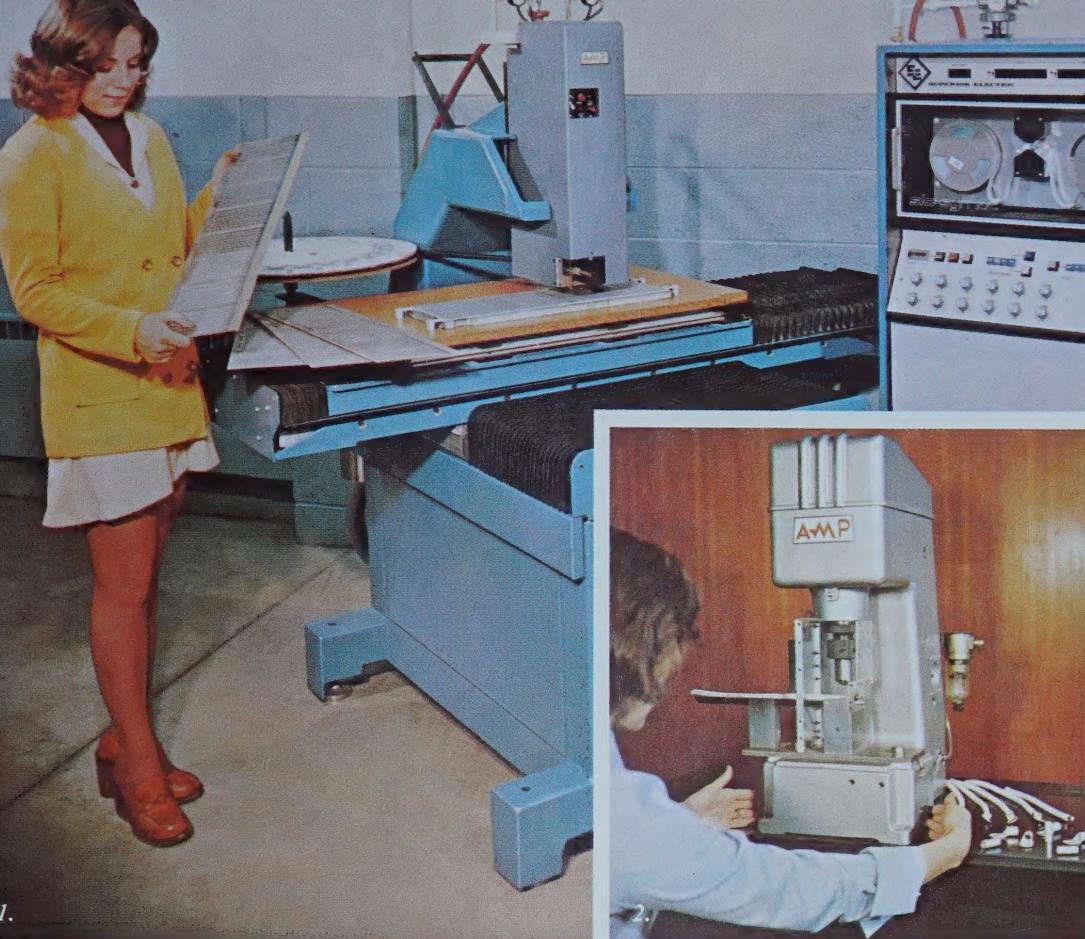
Our markets are divided into the five basic categories shown on pages 8-17. They normally account for fairly equal sales volume, but currently both the Consumer Goods and the Computer and Office Equipment sectors are smaller proportions because of the effects of recent economic conditions.

1. Engineers from Sperry Univac, a division of Sperry Rand Corp., on a visit to AMP headquarters to discuss advance design requirements.

2. AMP Special Industries marketing specialist on electrical construction specifications making a call on United Engineers in Philadelphia.

3. Two AMP field service engineers providing consultation on a new type of AMPOMATOR wire leadmaking machine recently installed at the York Division of Borg-Warner.

4. A few of the many maintenance and service kits we provide to nationally known companies. Each kit is tailored to provide the products and tools normally required by the customer's personnel — with an automatic refill ordering system.



AMP Economation

- Number of application machines with customers held steady at nearly 36,000.
- Many new types of tools and machines were created in 1975.
- Nearly 200 field service engineers install application equipment and train customer personnel.

Although the total number of application machines did not increase in 1975 because of lower customer production volumes, we made our usual steady progress in creating new types of tools and machines. We continue to find many opportunities to apply our machine development capabilities to give customers labor-saving economies in installing our products.

Some of our new machines are designed for faster, more efficient application of existing AMP products.

For example, the fully automatic, numerically controlled component insertion machine shown on this page provides faster installation for various AMP sockets and receptacles normally applied onto printed circuit boards by slower semiautomatic bench machines.

Often a new product can be designed to utilize existing application equipment — such as the new Ultra-Fast fully insulated terminals shown on page 13. However, many new products require new types of application equipment. Examples of this are the bench machines for new products on pages 13 and 14.

An important facet of our current machine development activity involves the further implementation of the connection concepts of "insulation displacement" and "mass termination". The automatic multi-wire machine on page 3, the Lace-N-Lok bench machine on page 18, and the multiple crimp machine and arbor presses for flexible cable on page 19, are indicative of our growing effort in this area because of the potential for dramatic labor savings for customers.

1. This newly developed, numerically controlled component insertion machine installs sockets and receptacle contacts into panels and printed circuit boards at application rates of up to 6,000 per hour.

2. New semiautomatic machine developed by AMP Great Britain to crimp SOLISTRAND terminals and splices onto larger-size wires.

3. Versatile new "stripper-crimper" machine automatically strips wire and applies a wider range of contacts at a faster rate than previously available equipment.

AMP Markets



General Electronics and Telecommunications

Avionics • Military Electronics • Production Control Systems • Machine and Process Controls
Instrumentation • Test Equipment • Medical Equipment • Scientific Equipment
Communications Equipment • Educational and Recreational Equipment
Security Systems • Point-of-Sale Systems • Quotation Systems

Certain segments of this broadly diversified market category held steady in 1975 despite the lower level of our total corporate sales. Bright spots were markets such as instrumentation, automotive diagnostics, medical electronics, and commercial radio. The commercial radio field was particularly interesting because of the fast-growing popularity of citizen band and scanning radios.

1. Some of the many AMP products used by leading instrumentation equipment manufacturers such as (a) Hewlett-Packard, (b) Perkin-Elmer, (c) Beckman, and (d) Tektronix.
2. Special AMP application equipment developed for Western Electric automatically inserts and bends bobbin tabs, attaches and terminates lead wires, and applies solder to (a) bell ringer coils for telephone handsets.
3. "Connectorized" wiring modules—using AMP CHAMP connectors and Circuit Concentration Bay panels—offer telephone companies substantial labor savings and flexibility by eliminating soldered or wrap-type connections in central plant equipment installations.
4. AMP panel and connectors provided to Röntgen-Müller, a leading German manufacturer of medical electronic equipment. The panel wiring is done by the customer with an AMP TERMI-POINT machine.
5. Special ARINC-type avionic connector being supplied by our French subsidiary for the French Mirage aircraft. AMP ARINC-type connectors are used in many aircraft throughout the world.

Much of this customer equipment is relatively complex and, therefore, uses a very wide variety of AMP products. Shown below are some of the items used by four of the leading instrument manufacturers. We have worked very closely with these companies through the years to determine how standard and specially developed AMP products can meet their requirements on each new model and generation of equipment.

In recent years we have identified the telecommunications market as one of our worldwide growth areas. Although this industry, like most of our markets,

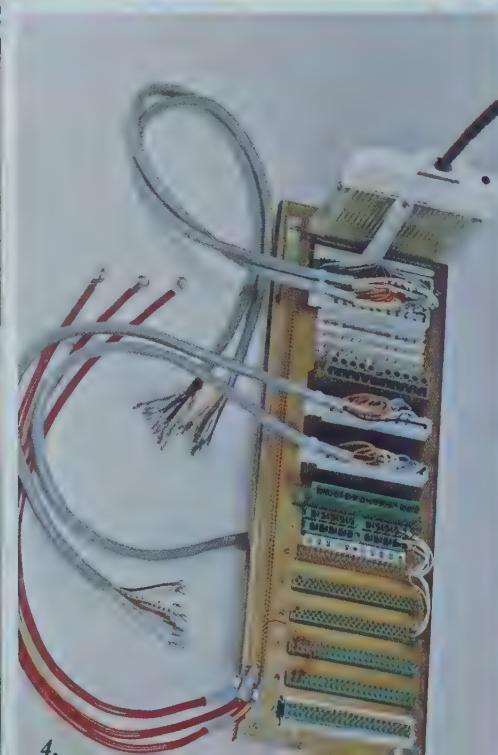


was not immune to the effects of the recent recession, we have seen some recovery here, too, in recent months.

Through extensive testing and evaluation, about a dozen AMP product families now have Bell System "KS" approval which facilitates their broader acceptance within the industry. We are continuing to explore the dual opportunities of further extending standard AMP products into this market and of developing special patented products that provide us with strong proprietary positions.

In addition to various new products, we have also developed a number of special application tools and machines for this market. The most complex to date are the machines shown below being completed for Western Electric. They automatically insert and bend tabs into bobbins, attach lead wires, crimp terminals on the wires, and apply solder. The finished coils are part of the bell ringer mechanism in a telephone handset.

The avionics and military electronics market held steady during the past year. After a number of years of gradual decline, it looks promising for a resumption of our sales growth in this area because we are well represented in virtually all of the major projects both here and abroad.





Computer and Office Equipment

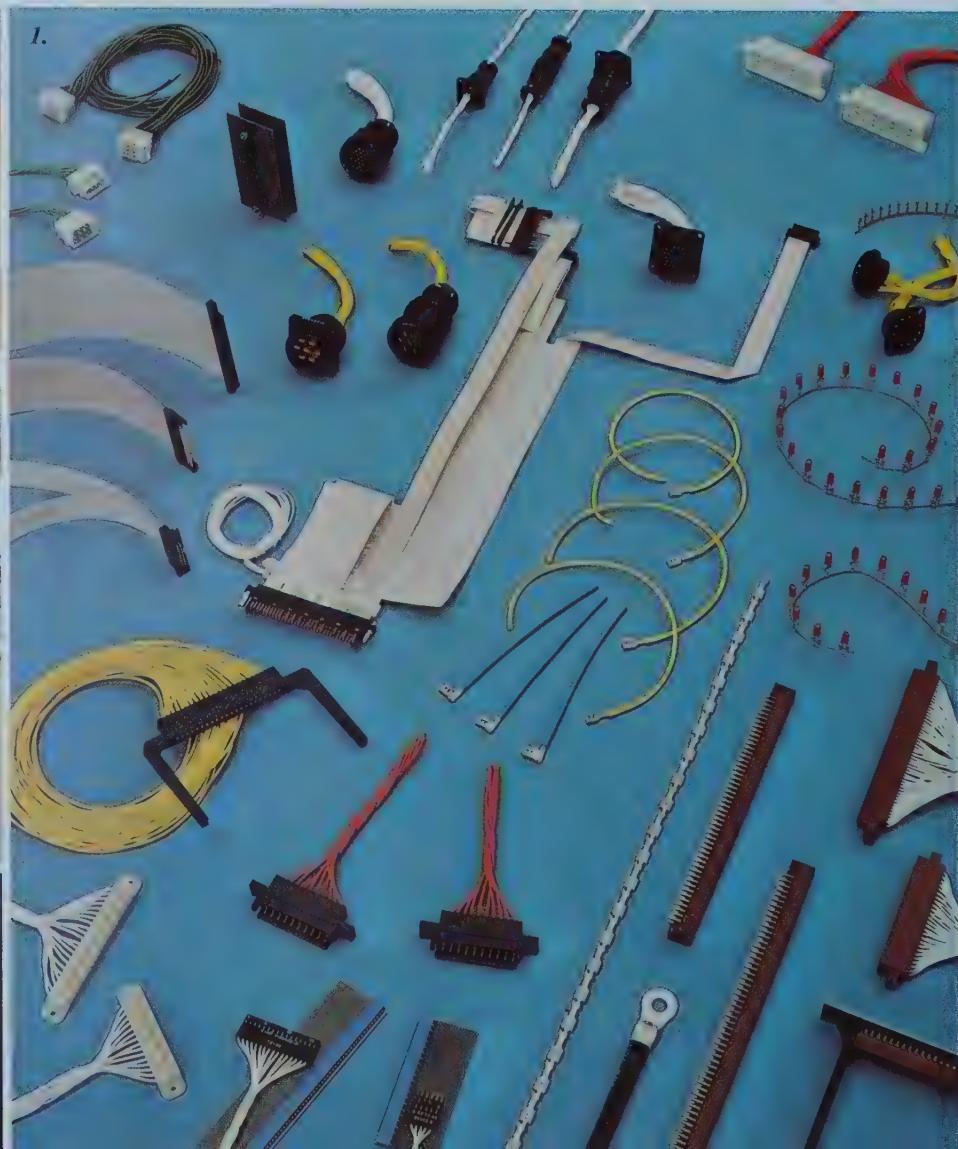
Digital Computers • Analog Computers • Hybrid Computers
Data Entry Equipment • Printers • Data Converters
Input/Output Terminals • Time-Sharing Equipment
Visual Displays • Office Equipment • Business Machines

The excellent long-term growth trend of this market was interrupted by the recession. As with most of our markets, part of the rapid growth from 1972 through mid-1974 was due to inventory accumulation. It took most of our customers a year or more to bring their inventories of connectors and other components down to desired levels. This, plus the drastic cutbacks in their production, had a temporary dampening effect on our incoming order rate and our backlog. However, since mid-1975 we have seen a gradual recovery in our sales to this market in the U.S..

Throughout this difficult period we continued our long-time emphasis on becoming involved in the early stages of customer design so we can bring AMP's unique capabilities to bear on their future interconnection, switching, and programming requirements. This was true both for the giants of this industry and for many of the smaller equipment manufacturers such as Sycor and Versatec shown below. We are seeing

the results of this partnership emerge in a number of new AMP products.

Traditionally the computer industry is a leader in advancing the state of the art in electronic circuitry. AMP has been part of this advancement through the development of new connection and electronic packaging concepts. Currently this is exemplified by product areas such as the flexible flat cable connectors, ribbon coaxial cable assemblies, stacking Zero Insertion Force connector systems, liquid coolant systems, and fiber optic connectors shown on pages 19-21 in the Product Review section.



We are also involved in developing complex interconnection systems to "package" the latest electronic microprocessor circuitry which requires a large number of very small, precise connections. Our ability to create these concepts and translate them into specific hardware rests on the thorough understanding of computer industry requirements gained by our close involvement in customer advance designs.

The office equipment industry is a prolific user of AMP products—as evidenced by the picture below of some of the many items sold to copier

equipment manufacturers around the world. In addition to many types of terminals and connectors, we are also supplying various flexible cable and circuitry assemblies.

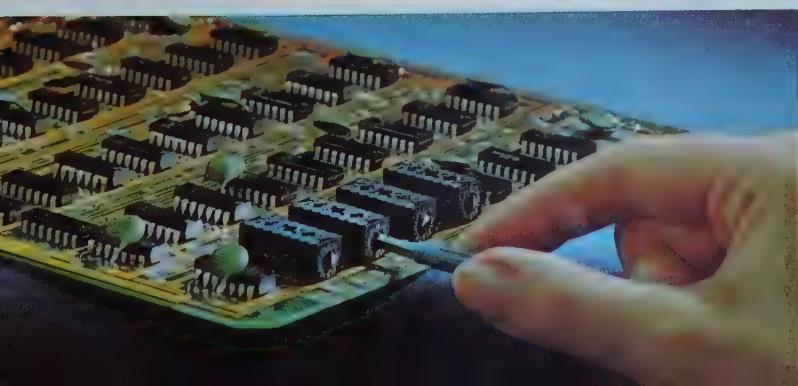
The modernistic Olivetti calculator shown here is one of the first uses of our new laminar connectors which provide low-cost, direct interconnection between parallel printed circuit boards—eliminating the need for cables or wires to link the boards together.

1. Some of the many AMP products used in (a) Copia, (b) 3M, (c) Kodak, (d) Xerox, (e) Rank-Xerox, and (f) IBM copiers.

2. New laminar connector is used in Olivetti's new LOGOS calculators to interconnect directly between parallel printed circuit boards.

3. Replacing a hand operation, this new pantograph-type application machine at Sycor, Inc., installs AMP DIP headers onto printed circuit boards used in (a) Sycor data terminals.

4. AMP hexadecimal switches are used to program printed circuit boards in (a) high-speed printers and other peripheral equipment made by Versatec, Inc.





Consumer Goods

TV • Radio • Stereo • Tape Recorders • Organs • Ranges • Dishwashers
Refrigerators • Freezers • Washers • Dryers • Air Conditioners
Humidity Controls • Portable Heaters • Small Appliances • Power Tools
Garden Equipment • Vending and Amusement Equipment

Sensitive to economic conditions, this market category has been more volatile than others. In this last recession, as in prior cycles, it was the first to turn down (in the latter half of 1973 in the U.S.), declined the most, and started recovering the soonest (the Spring of 1975 in the U.S.).

For over 30 years AMP has participated in the growth of these consumer-oriented markets. Our growth arises out of several factors — the steady emergence of consumers throughout the world increasingly able to buy electrical and electronic goods, and the growing proliferation of different types of consumer products.

A good example is the "traffic" or small appliance field. Over 75 different types

1. Some of the many types of AMP terminals, splices, contacts, and connectors used in small appliances.

(a) Some of the over 75 different types of small appliances that use AMP products.

2. Many CHAMP connectors, along with a number of other AMP products, are used in (a) a typical Japanese Pachinko game machine installation.

3. AMP Magnet Wire Interconnection System — special AMP application machine at the GS Electrical Division of General Signal Corp. in Carlisle, PA terminating magnet wires on motor field coils.

(a) Strip-form contacts installed in a plastic retaining ring provide the transition connection between the field coil magnet wires and the outer lead wires.

4. Ultra-Fast fully insulated FASTON terminals provide, for the first time, a completely protected termination without any subsequent installation of an insulation pod or housing—thus offering customers substantial labor savings.

5. These special timer connectors were developed by our German subsidiary for Siemens, a leading European appliance maker, to give pluggability in the installation and servicing of timer devices in major appliances.



of these electrical gadgets already exist, yet each year new ones are created — such as the recent appearance of crockery pot slow cookers and the new type of coffeemakers. These new items utilize standard AMP products that have been in growing use for several decades now. Another example is the increasing interest in electrical and electronic game machines — such as the popular Japanese Pachinko pinball-type machines shown below that use a number of AMP products.

The third factor is the development of new AMP products such as the Ultra-Fast fully insulated FASTON terminals, the Magnet Wire Interconnection System, and the appliance timer connectors shown on this page. These new concepts offer customers significant labor savings and further broaden the usage of AMP products.

In addition to these new products, we are working on new connection systems for the home entertainment and major appliance industries, and developing new types of application machinery that should find use in the consumer goods area as well as in other AMP markets.





Transportation and Electrical Equipment

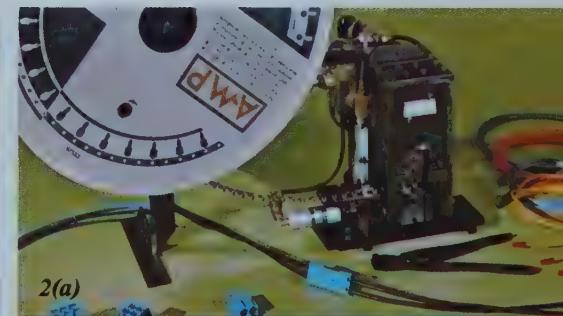
Automobiles • Trucks • Recreational Vehicles • Busses • Rail and Rapid Transit Equipment
Aircraft • Farm Equipment • Materials Handling Equipment • Motors and Generators
Compressors • Refrigeration, Heating and Air Conditioning Equipment
Lighting Equipment • Transformers • Switchgear • Coils and Relays

The automotive market, while a modest part of our domestic business, is one of the most important markets we have overseas. During the past two years the oil embargo and the recession caused vehicle unit production to slump throughout the world. However this was partially offset by the phasing in of new AMP products that are generally more complex and of higher value. Some of the new automotive products developed by our international subsidiaries are shown below — indicative of their growing technical capabilities and the greater diversity of automotive connection requirements today.

In the U.S. we are paying particular attention to the special needs of the truck and off-highway vehicle industry. As with cars, their electrical and electronic systems are becoming more complex because of the safety, pollution control, diagnostic, comfort, communications and other requirements that have arisen in recent years. Included in the new products shown below are special heavy-duty connectors that can handle higher

currents, hold up under rugged use, and are sealed against adverse environmental conditions.

The special 40-position connectors shown below were developed by our Italian subsidiary for the Italian railway system. They are evidence of the increasing attention we are also giving to the mass transportation industry. These connectors are used in the complex electronic equipment in the railway traffic control system — another example of the broadening thrust of electronics that creates new opportunities for AMP products.



We have served the electrical equipment industry since our early years. Part of this market—small motors, coils, lighting equipment, air conditioning, etc.—are primarily influenced by consumer spending. The other part—large motors, generators, switchgear, transformers, etc.—are tied into the capital spending cycles of industry, utilities, and government.

While the connection requirements of electrical equipment are not as fast-changing as in electronic equipment, we have developed a number of new products for this industry through the years — such as AMPOWER terminals

and splices for large wires and cables, AMPLIVAR splices for varnished copper wire, COPALUM terminals and splices for aluminum wire and cable, and TERMO-FOIL terminals and splices for aluminum foil conductors. The most recent examples are the new AMP Power Lock connectors and the Flexiblock terminal blocks shown below, and the Magnet Wire Interconnect System shown on page 13 which was developed for small motors and coils used primarily in consumer goods.

1. Some of the products recently developed by our international subsidiaries for the automotive market.

2. (a) This special pneumatic machine was developed to apply the 75-ampere, strip-form contacts in the new AMP Power Lock connector family. The smaller 30-ampere contacts can be applied with a standard AMP-O-LECTRIC machine. **(b)** The new AMP Power Lock connector family is a high-current (30 and 75 amp.), general purpose electrical connector for use in building panel wiring, lighting equipment, and various other electrical equipment installations. It features modular, snap-together housings, and hermaphroditic contacts in strip-form for machine application, or single-piece for hand and power tool application.

3. Some of the new products recently developed for the truck and off-highway equipment industries.

4. Flexiblock terminal blocks—a new concept. Flexible, strip-form terminal blocks and strips of plastic track are cut to the desired length and snapped together. This eliminates inventorying dozens of different lengths of preassembled blocks.

5. The Italian railway system uses many AMP products. **(a)** Special 40-position connectors developed by our Italian subsidiary for use in railway traffic control systems to replace traditional terminal blocks.



5(a)



Maintenance, Modernization, Utilities, Construction Fields

Airlines • Bus Lines • Trucking Companies • Railroads • Shipyards
Industrial Plant Maintenance • Repair Shops • Building Contractors • Mobile Homes
Federal, State & Local Government Installations • Telephone Companies
Electric Power Companies • Gas Companies • Resale Organizations

This has been our steadiest growth area through the years because demand from the major sector—the tens of thousands of maintenance and modernization users—is much less influenced by the consumer spending, capital expenditure, and inventory cycles that have such a pronounced effect on our sales to equipment manufacturers.

Our original market base is the industrial, commercial, and transportation maintenance and modernization user. In the 1960's we entered the electric utility industry with our AMPACT connectors, the telephone utility field with our PICABOND splices,

and the gas utility market with our AMPFIT pipe fittings. In the late 1960's we began our resale program of packaging products under AMP and private labels for certain national retail sales organizations. In the early 1970's we made our first serious entry into the building and construction industry with a unique, labor-saving duplex wall receptacle. In 1974 we began a distributor program to bring AMP products to customers not previously reached. Thus our sales growth in this broad market category stems from a

dual approach of further penetration of existing markets and the steady addition of new markets.

The three new products shown below—AMPLISEAL heat-shrink material for pipelines, flow limiter device for gas distribution pipe, and cold-shrink boots for mining cable — demonstrate our continuing efforts to innovate in the markets we serve.

The three scenes of retail displays of AMP products show the broadening scope of our resale program. Sears, one of our first resale customers, is taking on more AMP product lines in more of their stores.



Very late in 1974 we installed our first Electronic Parts Mart display in an electronics distributor's showroom. Since then we have added many more of these distributors.

In mid-1975, after receiving National Electrical Code approval for on-site use of our duplex receptacles, we began contacting electrical distributors in order to serve the contractor market with this and other AMP products. We now have several dozen of these distributors — such as ARC Electrical Company in San Diego shown below.

Although the sales volume may not be significant for some time yet, we have signed over 100 electrical and electronics distributors in the past year. We expect steady progress in adding more distributors because AMP products and tools are well known in the industry for their quality and the variety available.

In 1975 we also created a product display for marinas in order to tap another new market for both standard and special AMP products.



1. Display of AMP products at the Sears store in St. Davids, PA — including the new AMP circuit analyzer that indicates common wiring faults when plugged into a wall receptacle.

2. Demonstration of AMP duplex wall receptacles at ARC Electrical Company in San Diego—one of several dozen electrical distributors now handling certain AMP products. (a) In a fraction of the time required by traditional methods this special AMP tool prepares the cable and installs the receptacle.

3. Special retail display for marinas contains AMP products for the boating industry.

4. AMPLISEAL heat-shrinkable pipewrapping material being applied to a pipeline.

5. AMP-FIT flow limiter device will automatically limit the flow of gas if the service pipe is broken. Upon completion of repairs, it automatically resets to the full flow position.

6. "Cold-shrink" boots seal tightly around a cable when the inner sleeves are removed by pulling the nylon straps. The boots meet Bureau of Mines specifications and eliminate the heat needed to use heat-shrink insulating materials.

Product Review

- 10% of 1975 sales dollars spent on "R, D & E" for the creation and application of new and improved products and processes — over \$125 million spent in the past 3 years on total technical efforts.
- Nearly 2,000 people — scientists, engineers, and support personnel — and 600,000 sq. ft. of floor space — are involved in AMP's total technical efforts.
- Nearly 2,000 U.S. patents issued or pending at year-end 1975—with nearly 8,000 corresponding patents in over 40 other countries.

Although operating margins were under great pressures and earnings were down substantially in 1975, we adhered to our policy of spending approximately 10% of our sales dollars on the technical efforts so vital to our future. \$39 million was spent in 1975 on research, development, and engineering for the creation and application of new and improved products and processes. While down from a record \$46 million in 1974, this was the third highest total in our history.

We continued with our same basic approach—identification of specific needs of an industry or customer through close involvement with customer design and production, parallel development of the product and accompanying application tooling, prototype evaluation by key customers, limited market exposure initially, and cautious addition to the product line as demand broadens. As a components maker, we find this pragmatic, careful, step-by-step product development strategy permits the most effective use of our technical capabilities.

Our primary concentration on electrical and electronic connection devices continues to present us with many challenging opportunities. We have always viewed the progressive miniaturization of electronic circuitry, and the creation of new types of conductors, as beneficial to our business. These improvements permit

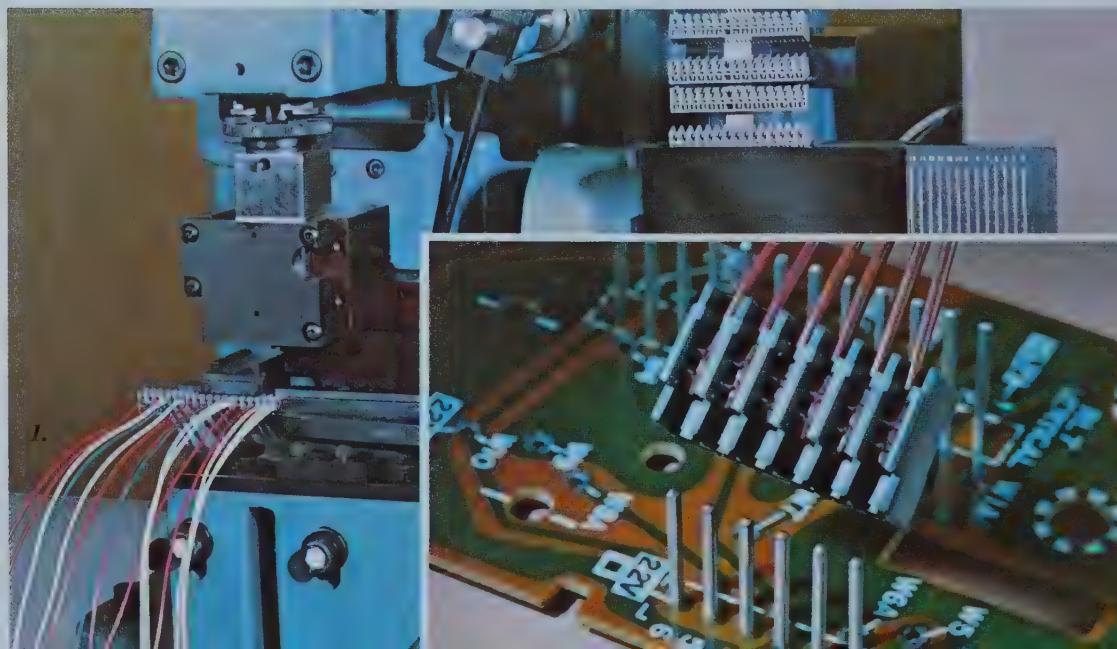
electronic equipment to become less expensive, smaller, and more versatile—and thus gain broader use in society. This increases the market for many AMP products. New circuitry and conductors also require new types of connection devices—generally of a higher technical level demanding more advanced capabilities from connector suppliers. All our past experience demonstrates this is good for AMP because of our unique abilities and close relationships with customers.

Thus, we welcome the emergence of the latest integrated circuitry units — microprocessors — and are developing compatible interconnection hardware for them. Similarly, we are in the forefront of the trend toward increased use of flexible flat cables — providing connectors for virtually all types of cables and also certain special versions of the cable itself.

Some of the other interesting areas we are working on include multi-wire handling and mass termination, Zero Insertion Force (ZIF) connectors for printed circuit boards and panels, ribbon coaxial cable assemblies, flexible circuitry, and liquid coolant systems.

Certain products in this report, such as the cold-shrink insulation boots and heat-shrink material on page 17 and the products on page 22, evidence our continuing efforts to supplement our primary field by careful diversification into non-connection product areas.

1. & 1(a) With Lace-N-Lok harness connectors the cutting, insulation displacement, termination, and installation of wire into connector housings are all combined into one operation as the wires are driven into V-shaped, slotted contacts.





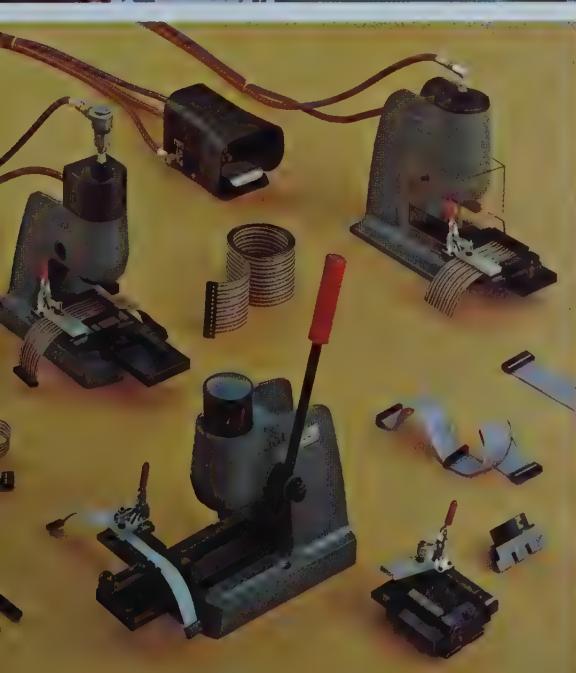
1. Some of the many types of flexible flat cable terminated with various AMP connectors. In addition to connectors for virtually all types of these cables, we also provide certain special versions of the cable itself — such as shielded, matched-impedance, and coaxial cables.

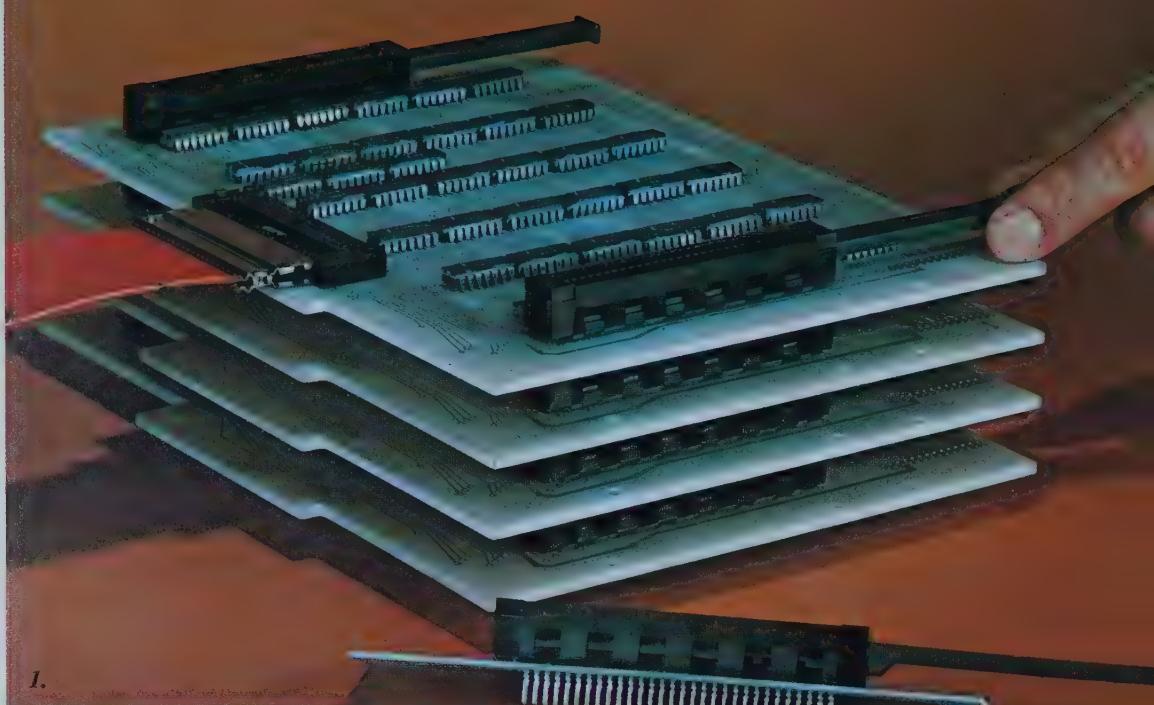


2. Multiple crimping machine simultaneously attaches up to 33 contacts to flexible etched flat cable.

3. Arbor and power presses available for attaching various AMP connectors to flexible flat cable.

4. CHAMP field application tool with adapters to permit attachment of CHAMP connectors to flexible flat cable.





1.

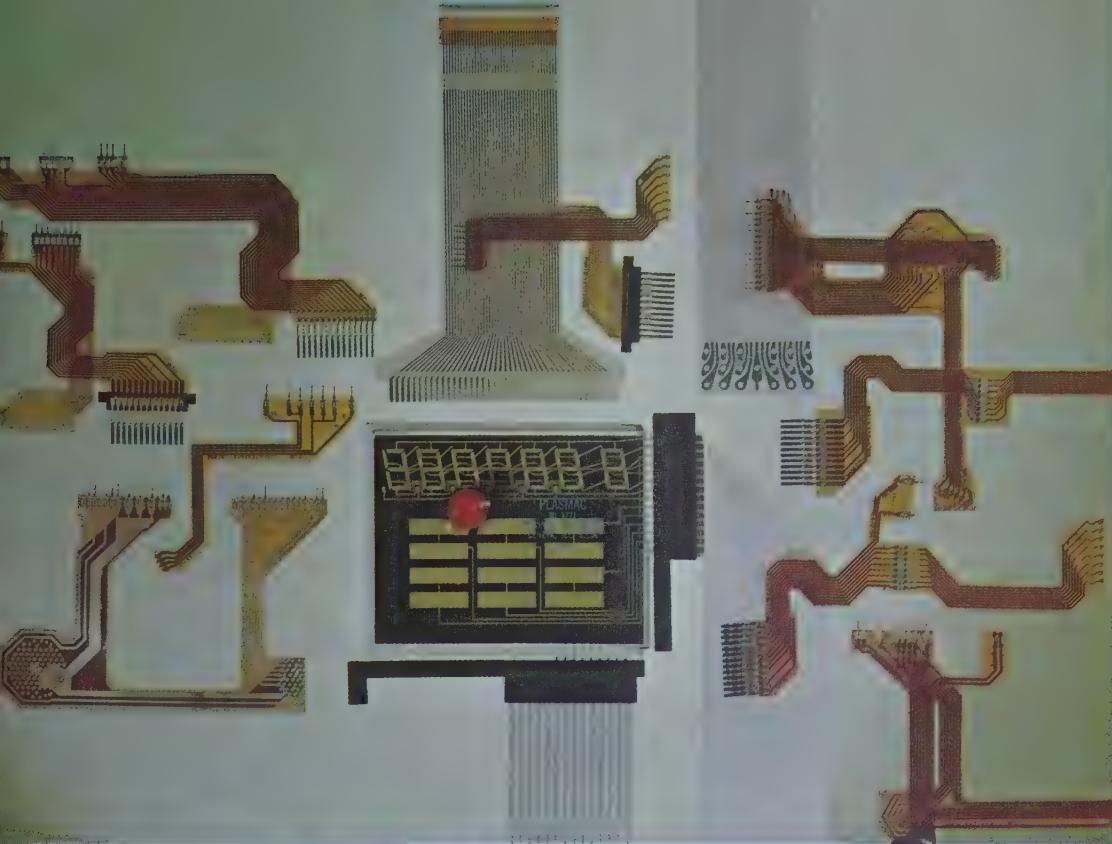


1. *Stacking ZIF (Zero Insertion Force) connectors introduce a new concept in interconnecting layers of printed circuitry. The connectors mate without any force, then the contacts are engaged by insertion of the actuating rods.*

2. *On the left are new high-current connectors (up to 30 amperes) that fill a void in the current-carrying range of previously available printed circuit connectors. On the right are new high voltage connectors (5,000 to 15,000 volts) used in the latest military avionic equipment. In the foreground is an ultraminiature connector family that has become more versatile through the addition of economical, machine-applied, strip-form contacts.*

3. *The unique ribbon coaxial cable concept we introduced a year ago is being expanded as we create new connection techniques that permit attachment to printed circuit boards and use in our popular CR multiple connectors. AMP ribbon coaxial cable assemblies have aroused much interest among designers in the electronics industry.*





1. Some of the latest versions of AMP flexible circuitry.

2. The AMP liquid coolant system is a new concept in electronic packaging. Circuit modules can be spaced closer together because circuitry units are mounted in special headers which straddle channels through which coolant is pumped to remove the heat.

3. Special cable-to-cable and bulkhead connectors developed for fiber optic cables precisely link cable ends together or connect a cable to an encoder or decoder. In the picture, a video tape player is "driving" a TV set via fiber optic cable and AMP connectors.

4. This large panel is one of several sizes of "NAFI"-type wiring panels we are beginning to supply for certain military electronics projects. Meeting very stringent government specifications, they are designed to accept pluggable "Standard Electronic Modules". Built with either two-sided or multilayer printed circuitry, these advanced design panels permit use of higher-speed, more sophisticated electronic logic devices.





1. One of the newest types of card readers — a compact, lightweight, highly reliable version with moisture-sealed entry that is finding initial use in military avionics.



2. Some of our newest miniature switches. Starting clockwise from the long slide switch (standing on end) are miniaturized thumbwheel switches, hexidecimal switches, programmable shunts, mini-matrix slide switch, and momentary contact DIP switch.

3. & 3(a) AMP products in medical kits—unique AMP scissors and forceps are provided to Johnson and Johnson for their new Lister suture removal kits.

4. Two new miniature high-voltage power supplies developed for military, helmet-mounted, visual display systems. They provide power to cylindrical cathode ray tube visual display units such as the one shown in the center of the picture.



2.



3.

AMP Incorporated and Pamcor, Inc. & their subsidiaries
Combined Statements of Income and Retained Earnings

	<i>Year Ended December 31,</i>	
	1975	1974
Net Sales	\$409,551,000	\$482,107,000
Cost of Sales	257,383,000	287,056,000
Gross income	152,168,000	195,051,000
Selling, General and Administrative Expenses	90,464,000	95,765,000
Income from operations (after deducting depreciation of \$21,740,000 and \$16,805,000)	61,704,000	99,286,000
Exchange and Translation Gains (Losses)	(1,116,000)	368,000
Interest Expense	(9,550,000)	(12,004,000)
Other Income, net	1,829,000	2,994,000
Income before income taxes	52,867,000	90,644,000
Income Taxes	25,100,000	44,418,000
Net Income	\$ 27,767,000	\$ 46,226,000
 <i>Per Endorsed Share (weighted average)</i>	 \$.75	 \$ 1.25
Retained Earnings, Beginning of Year	221,550,000	187,533,000
 Less—		
Cash dividends on common stock (37¢ and 33¢ per Endorsed Share)	249,317,000	233,759,000
 Retained Earnings, End of Year	 \$235,605,000	 \$221,550,000

The accompanying notes to the combined financial statements are an integral part of these statements.

To the Shareholders and Boards of Directors
of AMP Incorporated and Pamcor, Inc.:

Auditors' Report

We have examined the combined balance sheets of AMP INCORPORATED (a New Jersey corporation) and PAMCOR, INC. (an affiliated Puerto Rican corporation) and their subsidiaries as of December 31, 1975 and 1974 and the related combined statements of income and retained earnings, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the combined financial statements of certain international subsidiaries, which financial statements reflect 28% in 1975 and 37% in 1974 of the combined total assets and 36% in 1975 and 51% in 1974 of the combined net income. These financial statements were examined by other auditors whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for these international subsidiaries, is based solely upon their report.

In our opinion, based upon our examinations and the report of other auditors, the combined financial statements referred to above present fairly the combined financial position of AMP Incorporated and Pamcor, Inc. and their subsidiaries as of December 31, 1975 and 1974 and the results of their combined operations and their combined changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Philadelphia, Pa.
February 16, 1976

Arthur Andersen & Co.

December 31,

Assets		1975	1974
Current Assets:			
Cash	\$ 4,743,000	\$ 6,439,000	
Time deposits	12,270,000	585,000	
Marketable securities, at cost, which approximates market	37,003,000	11,413,000	
Receivables, less reserves of \$2,637,000 and \$2,535,000	82,380,000	95,085,000	
Inventories—			
Finished goods and work in process	47,059,000	56,094,000	
Purchased and manufactured parts	36,814,000	41,675,000	
Raw materials	24,435,000	39,719,000	
Total inventories	108,308,000	137,488,000	
Prepaid expenses	8,007,000	12,688,000	
Total current assets	252,711,000	263,698,000	
Investments and Other Assets	4,439,000	2,864,000	
Property, Plant and Equipment:			
Land	7,673,000	7,652,000	
Buildings and leasehold improvements	78,715,000	74,971,000	
Machinery and equipment	127,162,000	119,020,000	
Machines and tools with customers	52,372,000	46,892,000	
Less—Accumulated depreciation	265,922,000	248,535,000	
Property, plant and equipment, net	108,095,000	90,319,000	
	157,827,000	158,216,000	
	<u>\$414,977,000</u>	<u>\$424,778,000</u>	

Notes to Combined Financial Statements

(1) SUMMARY OF ACCOUNTING PRINCIPLES:

Principles of Combination—The financial statements of AMP and Pamcor and their subsidiaries (all wholly owned) are combined, as each company is owned beneficially by identical shareholders. Intercompany and affiliated company accounts and transactions are eliminated in the combination.

Translation of International Operations—The accounts of international operations are translated to U.S. dollars as fol-

lows: assets (except fixed assets), liabilities, and income and expense items (except depreciation), at current exchange rates; other accounts, at historical exchange rates.

Losses (cost vs. market) on forward exchange contracts are recognized currently. Gains are recognized when realized at maturity or sale.

Gains resulting from changes in rates used to translate assets and liabilities, net of any subsequent losses in translation, are

Balance Sheets

Liabilities and
Shareholders' Equity

December 31,

1975

1974

		1975	1974
Current Liabilities:			
Domestic bank loans and other current debt.....	\$ —	\$ 34,159,000	
International bank loans.....	23,014,000	40,402,000	
Accounts payable	22,745,000	21,639,000	
Accrued payrolls and employee benefits.....	14,794,000	14,942,000	
Accrued expenses — other.....	11,431,000	8,269,000	
Accrued taxes on income.....	25,228,000	35,457,000	
Current portion of long-term debt	5,030,000	3,887,000	
Total current liabilities	102,242,000	158,755,000	
Long-Term Debt	42,510,000	16,521,000	
Deferred Income Taxes	11,200,000	8,421,000	
Investment Tax Credit	3,656,000	3,260,000	
Other Liabilities and Deferred Credits	4,673,000	2,192,000	
Total liabilities	164,281,000	189,149,000	
Shareholders' Equity:			
AMP Incorporated—			
Common stock, without par value—			
Authorized 50,000,000 shares, issued 37,440,000 shares.....	12,480,000	12,480,000	
Pamcor, Inc.—			
Common stock, par value \$1.00 per share—			
Authorized and issued, 20,000 shares	20,000	20,000	
Other capital	2,635,000	1,692,000	
Retained earnings	235,605,000	221,550,000	
	250,740,000	235,742,000	
Less—Treasury stock, at cost.....	44,000	113,000	
Total shareholders' equity	250,696,000	235,629,000	
	<u>\$414,977,000</u>	<u>\$424,778,000</u>	

deferred until deemed realized. Deferred gains are deemed realized when retained earnings of international subsidiaries which include translation gains are remitted as dividends. Exchange gains and losses are recognized currently.

As required by action of the Financial Accounting Standards Board, the Company will change its translation practice effective January 1, 1976, with retroactive application to prior periods. Preliminary indications are that the retroactive

change will not have a material effect on net income for the years 1975 and 1974 or on accumulated retained earnings at December 31, 1975.

Inventories—Inventories, which consist of material, labor and overhead, are stated at the lower of cost, principally average, or market.

Property, Plant and Equipment and Depreciation—Property, plant and equipment is stated at cost. Depreciation is com-

AMP Incorporated and Pamcor, Inc. & their subsidiaries

Combined Statements of Changes in Financial Position

	<i>Year Ended December 31,</i>	
	1975	1974
Working Capital Was Provided From:		
Net income	\$ 27,767,000	\$ 46,226,000
Expenses not requiring current outlay of working capital—		
Depreciation	21,740,000	16,805,000
Deferred income taxes	2,779,000	4,674,000
Distributions of treasury stock	69,000	1,256,000
Other	(325,000)	554,000
	<u>52,030,000</u>	<u>69,515,000</u>
Additions to long-term debt	31,991,000	9,641,000
Additions to other capital	943,000	418,000
Miscellaneous sources, net	4,979,000	2,774,000
	<u>89,943,000</u>	<u>82,348,000</u>
And Was Used To:		
Increase investments and other assets	1,575,000	2,863,000
Acquire property, plant and equipment	23,128,000	59,174,000
Reduce long-term debt	6,002,000	4,515,000
Purchase treasury stock	—	653,000
Pay cash dividends	13,712,000	12,209,000
	<u>44,417,000</u>	<u>79,414,000</u>
Increase in working capital	<u>\$ 45,526,000</u>	<u>\$ 2,934,000</u>
Working Capital Changes—Increases (Decreases):		
Cash, time deposits and marketable securities	\$ 35,579,000	\$(12,993,000)
Receivables	(12,705,000)	7,972,000
Inventories	(29,180,000)	35,970,000
Prepaid expenses	(4,681,000)	6,984,000
Bank loans and other current debt	51,547,000	(32,744,000)
Accounts payable and accrued expenses	(4,120,000)	2,564,000
Accrued taxes on income	10,229,000	(3,134,000)
Current portion of long-term debt	(1,143,000)	(1,685,000)
Increase in working capital	<u>\$ 45,526,000</u>	<u>\$ 2,934,000</u>

NOTES (Continued)

puted by applying principally the straight-line method to individual items. Where accelerated depreciation methods are used for tax purposes, deferred income taxes are recorded. Investment tax credits are apportioned over the productive life of the equipment for which they were granted.

Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at applicable straight-line rates. Dies, small tools and

accessories are charged to expense as acquired.

The cost and accumulated depreciation of items of plant and equipment retired or otherwise disposed of are removed from the related accounts, and any residual values are generally charged or credited to income.

(2) PAMCOR: Pamcor and its subsidiaries have no affiliates other than AMP and its subsidiaries. By trust agreement, Bankers Trust Company holds all of the Pamcor common stock

NOTES (Continued)

for the benefit of AMP Incorporated common shareholders whose certificates are endorsed to show they are entitled to a proportionate interest in the Pamcor common stock held in the Trust. This interest is not transferable separately.

The inclusion of Pamcor resulted in an increase in net income of \$3,699,000 in 1975 and \$3,627,000 in 1974 after elimination of affiliated company profit in inventory.

(3) INTERNATIONAL OPERATIONS: As a result of including the accounts of international operations, the combined financial statements include assets of \$138,214,000 (\$85,777,000 current) and liabilities of \$79,737,000 (\$57,310,000 current) at December 31, 1975, and assets of \$156,593,000 (\$120,467,000 current) and liabilities of \$104,093,000 (\$86,622,000 current) at December 31, 1974. The additional net income, as a result of including these international operations, amounted to \$12,132,000 in 1975 and \$23,687,000 in 1974.

Exchange and translation gains, net of losses, for the two years ended December 31, 1975 were:

	1975	1974
Deferred, beginning of year....	\$ 800,000	\$ 600,000
Originating during the year....	(1,916,000)	568,000
Included in income—net (gain) loss:		
Originating in current year....	1,916,000	(178,000)
Originating in prior years....	(800,000)	(190,000)
Deferred, end of year.....	<u>\$ —</u>	<u>\$ 800,000</u>

At December 31, 1974 deferred gains are included in the balance sheet caption—Other Liabilities and Deferred Credits.

Availability of remittances to the parent company is subject to exchange controls and other restrictions of the various countries.

(4) COMPENSATING BALANCES: Deposits supporting short-term borrowings were maintained throughout the year. Such balances were not legally restricted as to withdrawal. Short-term borrowing arrangements, for the most part, required balances expressed as an average over a period of time at 20% of usage and 10% of unused commitments. At December 31, 1975 the average balance required was \$4,300,000, of which approximately \$2,200,000 represented dual-purpose funds, in that these balances also constitute minimum operating balances and/or compensation for other bank services. The highest balances required during 1975 occurred at May 31, at which point average balances required would have approximated \$2,100,000 and \$5,100,000 related to outstanding borrowings and unused commitments, respectively.

(5) CURRENT DEBT: Domestic bank loans and other current debt includes commercial paper of \$13,159,000 at December 31, 1974.

The average interest rate on total current bank debt and commercial paper outstanding was 9.4% at December 31, 1975 and 12.1% at December 31, 1974. During 1975, the highest aggregate current debt outstanding at any month end was

\$72,348,000 at January 31 (1974—\$89,467,000 at October 31). The 1975 average month-end aggregate current debt was \$35,926,000 (1974—\$73,331,000) and the weighted average interest rate was 10.4% (1974—11.6%).

At year-end 1975 and 1974, unused lines of credit for short-term financing amounted to \$65,500,000 and \$18,200,000, respectively. As to the general terms of short-term borrowing arrangements, usage (along with provision for extension of maturities) is generally dependent upon the various companies maintaining a sound financial condition. There were no significant commitment fees on unused lines.

(6) LONG-TERM DEBT: At December 31, long-term debt was comprised of the following:

	1975	1974
8-5/8% Notes due 1985	\$25,000,000	\$ —
6-1/2% Note due to institutional lender, repayable annually through 1977	2,000,000	3,000,000
International bank loans, 9.4% weighted interest rate (1974— 11.5%), repayable in varying amounts from 1976 through 1984	17,116,000	13,747,000
Mortgages, 6.3% weighted interest rate (1974— 6.3%), repayable through 1994, none fully repayable before 1978	3,424,000	3,661,000
	47,540,000	20,408,000
Less—		
Amount due within one year....	5,030,000	3,887,000
	<u>\$42,510,000</u>	<u>\$16,521,000</u>

The 8-5/8% Notes are due April 1, 1985 and may not be redeemed prior to April 1, 1982. After that date the Notes will be redeemable at the option of the Company upon 30 days' notice, in whole or in part, at their principal amount plus accrued interest. The agreement covering the amount due the institutional lender provides for repayment in equal annual installments over two remaining years, or, at the option of AMP, over one year without penalty.

In the Company's loan agreements there are, among other things, restrictive provisions governing the maintenance of minimum working capital levels and the payment of dividends. Under the most restrictive terms of the agreements, which are contained in the note due the institutional lender, payment of cash dividends and the purchase of the Company's common stock, etc., are limited to \$156,481,000 at December 31, 1975, plus the entire net income of AMP and its domestic subsidiaries and Pamcor for subsequent periods.

Unused commitments for long-term financing were not significant at December 31, 1975.

(7) STOCK PLUS CASH BONUS PLAN AND TREASURY STOCK: All of the Endorsed Shares in the treasury (1975—

NOTES (Continued)

348,970; 1974—414,667) are available for payment of stock bonuses under the incentive Stock Plus Cash Bonus Plan. The number of shares and cash (a fixed percentage of the value of the shares) distributed is determined by the appreciation in market value of the Company's stock.

During the year ended December 31, 1974, treasury stock was increased through the purchase of 21,500 shares costing \$653,000. Charges to income before income taxes for current and future distributions under the Plan totaled \$1,251,000 in 1975 and \$2,206,000 in 1974, and included shares and related costs of 65,697 and \$69,000 in 1975 and 69,521 and \$1,256,000 in 1974.

For awards granted before and outstanding on December 31, 1975, and based on the market price as of that date, approximately 176,000 shares would be distributed in the years 1976 through 1981.

The effects upon Other Capital of distributions under the Stock Plus Cash Bonus Plan for the two years ended December 31, 1975 were:

	1975	1974
Other Capital, beginning of year	\$1,692,000	\$1,274,000
Tax benefits on excess of fair market value over cost of treasury stock distributed ..	943,000	418,000
Other Capital, end of year	<u>\$2,635,000</u>	<u>\$1,692,000</u>

(8) EMPLOYEE RETIREMENT PLANS: The Companies' employee retirement plans include both contributory and non-contributory plans. Each plan is either insured or trustee. Provisions amounting to \$3,661,000 in 1975, and \$3,790,000 in 1974 were made to cover current service costs and amortization of past service costs. The Companies' policy is to fund pension costs as accrued. The cost of retirement benefits for past service has been fully funded except for three plans on which the unfunded liability totaled approximately \$1,475,000 as of December 31, 1975. Net assets of the plans exceed the present value of vested benefits as of December 31, 1975.

On January 1, 1975 the Company changed the interest rate assumption on its two major pension plans from 3-1/2% and 3-3/4% to 4-1/2% on both plans. This change reduced 1975 pension expense by \$1,800,000. Effective January 1, 1976 the Company has made other changes in these plans resulting in increased benefits for employees covered. The cost of the changes is projected at \$1,050,000 for 1976. Of this amount, \$150,000 is attributable to changes in pension plans mandated by the Employee Retirement Income Security Act of 1974.

(9) RENTAL EXPENSE AND LEASE COMMITMENTS: The Companies lease some of their manufacturing and office buildings and certain equipment. Total rental expense was \$7,310,000 in 1975 and \$6,515,000 in 1974.

Minimum rental commitments under noncancelable leases (including some with option to buy) at December 31, 1975 were:

	Total Minimum Rental Commitments	Buildings	Transportation Equipment	Other Equipment
1976	\$3,174,000	\$ 925,000	\$1,330,000	\$ 919,000
1977	2,392,000	793,000	826,000	773,000
1978	1,628,000	634,000	465,000	529,000
1979	582,000	454,000	43,000	85,000
1980	392,000	347,000	—	45,000
1981-85	1,308,000	1,158,000	—	150,000
1986-90	279,000	279,000	—	—
1991-95	181,000	181,000	—	—
1996 & beyond	—	—	—	—

For the years 1975 and 1974, noncapitalized financing leases (as that term is defined by the Securities and Exchange Commission) were not material.

(10) INCOME TAXES: Components of income tax expense were:

	1975	1974
Taxes currently payable	\$22,416,000	\$39,993,000
Deferred taxes	2,288,000	3,400,000
Deferred investment tax credit ..	396,000	1,025,000
	<u>\$25,100,000</u>	<u>\$44,418,000</u>

Deferred income tax expense results from timing differences between tax and financial recognition of income and expense. The sources of these differences for the two years ended December 31, 1975 were:

	1975	1974
Accelerated depreciation	\$ 3,193,000	\$ 3,827,000
Intercompany profit in inventory	828,000	(1,547,000)
Pension expense	(193,000)	(1,381,000)
Other	(1,540,000)	2,501,000
	<u>\$ 2,288,000</u>	<u>\$ 3,400,000</u>

United States income tax returns of AMP for the years 1963 through 1971 have been audited by the Internal Revenue Service and deficiencies assessed. The Company is contesting several items of these deficiencies, one of which could result in similar deficiencies of more substantial amounts being assessed for subsequent years. Accordingly, the Company has filed a petition with a U.S. District Court for refund of assessments paid for the years 1963 through 1965, and has filed a protest with the Internal Revenue Service for the years 1966 through 1971. In the opinion of the Company and outside tax counsel, the position taken by the Internal Revenue Service has little merit and the final determination of this issue for the years 1963 through 1975 will not have a materially adverse effect on its financial position or results of operations.

(11) RESEARCH, DEVELOPMENT AND ENGINEERING: Research, development and engineering expenditures for the creation and application of new and improved products and processes were \$39,000,000 in 1975 and \$46,000,000 in 1974.

AMP INCORPORATED

HARRISBURG, PENNSYLVANIA 17105

Pamcor, Inc.
SAN JUAN, P.R.



AMP Headquarters — Eisenhower Blvd., Harrisburg, Pennsylvania

Officers

J. D. Brenner
President and Chief Executive Officer

Gerald F. Englehart
Vice President, International

Herman C. Haas
Vice President, Director of Marketing

S. Wilson Pollock
Vice President, Engineering and Research

Walter F. Raab
Vice President and Treasurer

Willard A. Smith
Vice President, Manufacturing

Clyde Rayburn
Controller

Hugo A. Walfred
Secretary and General Legal Counsel

Divisional Vice Presidents (of AMP Incorporated only):

Marketing:

W. Bennett Conner
Industrial Sales

Oscar B. Rudolph
AMP Special Industries

Operations:

John E. Eberle
Connector and Component Products

James E. Marley
Automatic Machine Products

Harold A. McInnes
General Products

Kenneth L. Neijstrom
Special Products

Directors

Executive Committee:

C. J. Fredricksen
Chairman of the Board

J. D. Brenner
President and Chief Executive Officer

R. M. Brumfield
Chairman of Hurst Mfg. Corp.,
Princeton, Indiana
Manufacturer of electrical motors
(Retired Chairman of Potter &
Brumfield Division, AMF Inc.)

F. H. Boland
Industrial and Financial Consultant,
Director of Warner-Lambert
Company and Madison Fund, Inc.

E. M. Green
Director (and Retired Chairman),
Dauphin Deposit Trust Company,
Harrisburg, PA

F. C. Hixon
Chairman,
Midland Investment Company,
San Antonio, Texas
Investments

Walter F. Raab
Vice President and Treasurer

J. T. Simpson
Chairman, President and
Chief Executive Officer,
Harsco Corporation, Harrisburg, PA
Manufacturer of fabricated metal products

Willard A. Smith
Vice President, Manufacturing

Director Emeritus:

S. S. Auchincloss
Consultant to the Corporation,
Retired President of AMP Incorporated

AMP Operating Subsidiaries

(all wholly owned and
included in combined results)

AMP Products Corporation,
Valley Forge, Pennsylvania

AMP of Canada, Ltd.,
Toronto, Canada

AMP de Mexico, S.A.,
Mexico City, D. F. Mexico

AMP S.A. Argentina,
Buenos Aires, Argentina

AMP do Brasil Ltda.,
São Paulo, Brazil

AMP de France,
Paris, France

AMP-Holland B.V.,
's-Hertogenbosch, The Netherlands

AMP of Great Britain Limited,
London, England

AMP Italia S.p.A.,
Turin, Italy

AMP Deutschland G.m.b.H.,
Frankfurt, Germany

AMP Española, S.A.,
Barcelona, Spain

AMP Scandinavia A.B.,
Stockholm, Sweden

AMP A.G.,
Lucerne, Switzerland

AMP (Japan), Ltd.,
Tokyo, Japan

Australian AMP Pty. Limited,
Sydney, Australia

The Annual Shareholders' Meetings of AMP Incorporated and Pamcor, Inc. are held the fourth Thursday of April. Formal notices, proxy statements and forms of proxy will be mailed on or about March 19, 1976 to shareholders of record on March 5, 1976 as to the April 22, 1976 meetings at 2:00 P.M. at 15 Exchange Place, Jersey City, New Jersey.

Auditors

Arthur Andersen & Co.

Price Waterhouse & Co.

Stock

Listed:
New York Stock Exchange
Shareholders:
8,159

Registrar

Bankers Trust Company
16 Wall Street,
New York, N.Y. 10015

Transfer Agents

Bankers Trust Company
16 Wall Street, New York, N.Y. 10015
The Continental Stock Transfer and Trust Co.
30 Montgomery St., Jersey City, N.J. 07302



AMP Marketing in 1976

1976 marketing activities include (clockwise): part of our NEPCON trade show display; a retail display unit in France; a new product display coach; new advertisements and brochures; and a new marketing film, "Key to Success", starring Ben Franklin.



AMP Marketing Organizations:

Domestic:

Industrial Sales Division,
Harrisburg, PA
Serves most U.S. original equipment manufacturers (OEM's).

Telecom Division,
Harrisburg, PA
Serves U.S. telecommunication OEM's and operating telephone companies.

Capitron Division,
Elizabethtown, PA
Markets special products (power supplies, card readers) to OEM's in the U.S.

AMP Special Industries,
Valley Forge, PA
Serves tens of thousands of U.S. customers such as industrial maintenance users, airlines, shipyards, mines, contractors, electric and gas utilities, resale organizations, and other special markets.

AMP of Canada, Ltd.,
Toronto, Canada
Serves all Canadian customers.



International:

These 13 subsidiaries use the same basic approach with each having an industrial marketing unit to serve OEM's and an AMPLIVERSAL division for the maintenance, utility, and other non-OEM markets.